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United Arab Emirates

Poultry and Products

Annual

2001

Approved by:

ATO: Ron Verdonk

U.S. Consulate, Dubai

Prepared by:

Marketing Specialist: Mohamed Taha

Report Highlights:

Poultry farming in the U.A.E. is limited to chicken production only. This sector is gradually expanding, and this year's production is expected to reach 28,000 MT. Imports of poultry products in 2000 are estimated at about 112,000 MT. With the assistance of the EEP, U.S. poultry exports increased to reach about 19,000 MT in CY2000.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

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PRODUCTION:

The UAE's poultry production continues to grow slowly despite the difficulties facing the industry. Nearly 80 percent of total production is generated by just 8 farms. The remaining 20 percent is shared by a number of small farms. Expansions in existing farms and a number of new projects are expected to further increase the local production by about 2,000 MT annually for the next 2-3 years. Major farms run fully integrated operations. They produce and slaughter their production in their own facilities. They also do their own marketing, sales and distribution. Some even have their own retail outlets. With the exception of 5 percent sold frozen, the local production is sold fresh/chilled. A negligible amount of chilled boneless or bone-in parts are also produced. Production of other poultry products such as turkey and quail does not exist.

There is no competition between local and imported frozen chicken, because of the price difference. Imported whole chicken sells for about half the cost of locally produced chicken which is about \$3. Cost of local production is high since all feed ingredients, equipment, hatching eggs and skilled labor are all imported. All feed ingredients are imported and the feed conversion rate is 1.8 kg.

CONSUMPTION:

Chicken demand has surged to about 100,000 MT due to:

- Population increases in recent years,
- Health problems associated with the consumption of red meats related to BSE, Foot and Mouth disease and the dioxin scare,
- The lower cost of poultry as compared to red meats, and
- The expansion of the HRI sector

Imported frozen chicken, whole and parts, is easier to market because of lower prices as compared to the local product. Brazilian and Danish chicken are very popular among households for their quality and low water content. French chicken is suited more to caterers because of high water content. U.S. chicken leg quarters have become very popular in the HRI sector because of low prices and being easy to handle. U.S. whole chicken is not especially popular in the retail sector due to continued unattractive packaging including chicken that is considered "misshaped" owing to the way it is processed and frozen in the U.S. Boneless chicken from China and Brazil are mainly consumed by Arab-style and Lebanese restaurants and cafeterias. Boneless breasts find their way to the retail market. Whole turkey is mainly consumed during the Thanksgiving and Christmas times, while duck is used by the Chinese restaurants.

TRADE: The UAE is the largest poultry importer in the GCC-5 (Bahrain, Kuwait, Oman, Qatar and the UAE). In the absence of complete official trade data, ATO estimates total UAE CY 2000 imports of poultry products at about 110,000 MT, valued at about \$135 million. This is a 9 percent decline in volume and 10 percent in value from a year earlier. Trade sources expect imports in 2001 to drop further due to a slower re-export activities.

Whole chicken imports are estimated to represent about 70 percent of total imports, while parts represent the remaining 30 percent. Imports of leg quarters from the U.S. are increasing and will expand more if prices continue to be favorable.

Brazil has become the principal chicken supplier to the UAE followed by France. Danish poultry exports are declining while U.S. exports have slightly improved. Prospects for increased U.S. market share will be affected if the Export Enhancement Program is not renewed. The EEP has been instrumental in increasing U.S. whole chicken exports to the UAE. Trade contacts stated that the renewal of the EEP is critical for whole bird

purchasing and is a reflection of the U.S.’s commitment to this market, particularly when the EU continues to provide export subsidies. Irregular and interrupted supplies of U.S. chicken make importers and consumers lose interest in the product. Assurance of continuity is very important.

ECONOMY:

The UAE is a major oil producer and enjoys one of the world’s highest per capita incomes. Strong oil prices continue, and the UAE economy is enjoying high revenues. And the low prices that prevailed into 1999 are but a speck in the economy’s rear-view mirror. The UAE’s currency, the Dirham, is very strong and the exchange rate vis-a-vis the U.S. Dollar remains fixed. The UAE government does not restrict the movement of currencies and follows an open market policy completely supportive of free trade. The government does not get involved in trading, as long as import regulations are not violated.

POLICY:

Local health authorities apply strict regulations to ensure the safety of all imported and locally produced chicken. Local health officials travel periodically to exporting countries to inspect production and processing conditions in the exporting countries. If an exporting plant is determined to be unable to supply wholesome products its products will be immediately banned. Imported chicken of established brands is randomly checked at ports of entry for Salmonella infection. If a given shipment’s samples exceed the permissible limit of 20 percent Salmonella infection, it will be rejected. Locally produced chicken is also monitored to determine fitness for human consumption. Poultry products are also required to carry a label showing a) dates of production and expiry; b) net weight; c) country of origin; and d) the producer's name and address.

Food products containing biotech ingredients has become a hot issue, and the topic is being discussed among health officials in the UAE. Moreover, the issue of other animal protein being used as a feed component for poultry may surface as another point of contention.

MARKETING:

Printed media advertising is the most popular followed by TV commercials. Year round advertising campaigns are usually maintained. In-store promotions are also common, particularly for new-to-market products.

Suppliers and local producers are constantly looking for new markets and opportunities to increase their sales. Some suppliers provide certain incentives to their major importers. These include free storage, free transportation, delayed payment, unpublished discounted prices and the establishment of regional offices to support importer marketing efforts. On the other hand, importers are upgrading their cold storage facilities and investing in more distribution vehicles. Major retailers are building state-of-the-art super and hyper markets and providing services to ensure that their products are ideally stacked and positioned.

Without the Export Enhancement Program (EEP), U.S. whole chicken will find it hard to compete with other chicken imported from different sources, particularly the EU. The heavy European subsidy on the one hand coupled with low cost of production in Brazil make it difficult for U.S. suppliers to compete. The marketability of U.S. whole birds would also be enhanced if U.S. suppliers shipped more small-sized birds (800 grams to 1 kg) and utilized the IQF method to produce well shaped chicken that looks attractive and retails easier. Sporadic difficulties in correctly labelling products, especially with P/E dating, also affect the marketability of U.S. products, particularly in the HRI sector.

PSD Table						
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Country:	United Arab Emirates					
Commodity:	Plty, Meat, Chicken -16 wks					
		2000		2001		2002
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	8	5	8	8	8	8
Production	25	26	28	28	0	30
Whole, Imports	70	71	72	70	0	70
Parts, Imports	40	41	40	40	0	38
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	110	112	112	110	0	108
TOTAL SUPPLY	143	143	148	146	8	146
Whole, Exports	15	21	20	20	0	20
Parts, Exports	24	17	20	18	0	16
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	39	38	40	38	0	36
Human Consumption	96	97	100	100	0	102
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	96	97	100	100	0	102
TOTAL Use	135	135	140	138	0	138
Ending Stocks	8	8	8	8	8	8
TOTAL DISTRIBUTION	143	143	148	146	8	146
Calendar Yr. Imp. from U.S.	19.5	19	20	20	0	12

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	Jan/Dec		
Imports for	2000		2001
U.S.	19000	U.S.	20000
Others		Others	
Brazil	31000		32000
China	7500		7000
Denmark	19000		18000
France	25000		24000
Saudi Arabia	9000		8000
Total for Others	91500		89000
Others not listed	1500		1000
Grand Total	112000		110000

Export Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	Jan/Dec		
Exports for	2000		2001
U.S.	0	U.S.	
Others		Others	
Armenia	2000		2000
Azerbaijan	2500		2500
Georgia	500		1000
Iran	2500		3000
Oman	14000		12000
Turkminstan	2000		2000
Uzbekistan	1000		1500
Total for Others	24500		24000
Others not listed	12500		14000
Grand Total	37000		38000